



Susan Montee, CPA
Missouri State Auditor

October 2007

Twelfth Judicial Circuit

City of Wellsville, Missouri
Municipal Division



Office of
Missouri State Auditor
Susan Montee, CPA

October 2007

The following finding was noted as a result of an audit conducted by our office of the Twelfth Judicial Circuit, city of Wellsville, Missouri Municipal Division.

The city of Wellsville Municipal Division is within the Twelfth Judicial Circuit, which consists of Audrain, Montgomery, and Warren counties. The Honorable Keith Sutherland serves as Presiding Judge.

Monies received by the Wellsville Municipal Division are not always deposited on a timely basis. Some checks and money orders are not restrictively endorsed immediately upon receipt and monies are not maintained in a secure location prior to deposit. In addition, on July 13, 2007, the City Clerk/City Collector deposited \$3,000 in proceeds from the sale of a police department vehicle into the municipal division bank account. These monies represent city funds and should be turned over to the city and be subjected to the budgetary and fiscal controls of the city.

The municipal division does not maintain a comprehensive accounts receivable control ledger. A comprehensive accounts receivable ledger is necessary to provide increased accountability and facilitate monitoring of amounts due to the court.

Fines and court costs due to the city's General Fund are not paid to the city treasury at least monthly as required by state law. During the two years ended March 31, 2007, only eight payments were made to the General Fund. No payments were made to the General Fund between July 2006 and July 2007. At June 30, 2007, the reconciled balance of the municipal division's bank account was approximately \$16,500. In addition, some court fees are disbursed prior to collection.

Monthly bank reconciliations were not prepared timely and procedures have not been established to resolve old outstanding checks. In addition, the bank signature card for the municipal division's account has not been updated. To protect court assets, individuals no longer responsible for court business should be removed from the signature card. Also, monthly reports of all cases heard in court are not filed with the city as required by state law.

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YELLOW SHEET

WELFTH JUDICIAL CIRCUIT
CITY OF WELLSVILLE, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Twelfth Judicial Circuit
and
Municipal Judge
Wellsville, Missouri

We have audited certain operations of the city of Wellsville Municipal Division of the Twelfth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended March 31, 2007. The objectives of this audit were to:

1. Review internal controls over significant financial functions.
2. Review compliance with certain legal provisions.
3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by July 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Wellsville Municipal Division of the Twelfth Judicial Circuit.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Robyn Vogt
Audit Staff:	Terese Summers, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWELFTH JUDICIAL CIRCUIT
CITY OF WELLSVILLE, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Collection Controls and Procedures
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Deposits are not always made on a timely basis, checks and money orders are not restrictively endorsed immediately upon receipt, and monies are not maintained in a secure location prior to deposit. In addition, city monies totaling at least \$3,000 were deposited into the municipal division bank account, and a comprehensive accounts receivable listing/record is not prepared.

A. Receipting and depositing procedures of the municipal division are in need of improvement.

- 1) Monies received are not always deposited on a timely basis. For example, the July 28, 2006, deposit totaling \$1,962 included monies received between July 14 and July 26, 2006. The June 21, 2005, deposit totaling \$555 included monies received between May 18 and June 20, 2005. January, February, and March 2007 deposits were made only once a month. More frequent deposits were made subsequent to March 2007 with three deposits made in June 2007.
- 2) Some checks and money orders are not restrictively endorsed immediately upon receipt, and monies are not maintained in a secure location prior to deposit. During the day, court receipts are collected by the City Clerk/City Collector who issues receipt slips and holds the monies in an unlocked desk drawer until picked up by the Court Clerk at the end of the day. Checks and money orders are not restrictively endorsed prior to being given to the Court Clerk.

Mail receipts and monies collected by the Court Clerk on court night in the form of checks or money orders are restrictively endorsed upon receipt. However, monies collected by the Court Clerk are maintained in an unlocked cabinet at the police department until the deposit is made.

In addition, the Court Clerk had documented that when she collected receipts from city hall on May 3, 2005, a cash receipt for \$115 collected by the former City Clerk on April 29, 2005, could not be accounted for.

To reduce the risk of loss, theft, or misuse of funds, and to provide assurance that all receipts are accounted for properly, deposits should be made on a timely basis (preferably daily), checks and money orders should be restrictively endorsed

immediately upon receipt, and monies should be maintained in a secure location at all times prior to being deposited.

- B. On July 13, 2007, the City Clerk/City Collector deposited \$3,000 in proceeds from the sale of a police department vehicle into the municipal division bank account. According to the City Clerk/City Collector, the deposit was made to this bank account because monies from this account would be used to purchase a new vehicle in the future.

There is no authority for the municipal division to maintain custody of such receipts. These monies represent city funds and should be turned over to the city and be subjected to the budgetary and fiscal controls of the city council. The municipal division bank account should be used only to account for monies collected as a result of actions related to the court, which would be primarily fines, court costs, and bond receipts.

- C. The municipal division does not maintain a comprehensive accounts receivable control ledger; rather, individual case files and receipt slips are used to identify balances due the court. Upon our request, an accounts receivable listing was prepared by the Court Clerk which indicated approximately \$10,400 was due to the court as of July 2007. A comprehensive accounts receivable ledger is necessary to provide increased accountability and facilitate monitoring of amounts due to the court.

WE RECOMMEND the city of Wellsville Municipal Division:

- A. Deposit all monies on a timely basis (preferably daily), restrictively endorse checks and money orders immediately upon receipt, and maintain monies received in a secure location prior to being deposited.
- B. Ensure the municipal division bank account is used only for fines, court costs, and bonds relating to court operations. Moneys related to the sale of the police department vehicle should be paid to the city treasury immediately.
- C. Maintain a comprehensive accounts receivable control ledger to properly account for and monitor the amounts due the court.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, and City Clerk/City Collector indicated:

- A. *Deposits are now being made weekly. The restrictive endorsement stamp has been given to the City Clerk/City Collector who is now endorsing checks and money orders as they are received. The Court Clerk and City Clerk/City Collector are considering alternatives as to how to better secure the monies.*

- B. *This recommendation will be implemented.*
- C. *This recommendation will be implemented. The Court Clerk is considering different ways to set up an accounts receivable ledger.*

2. Disbursement of Fines and Court Costs

Fines, court costs, and interest collected are not disbursed to the city treasury's General Fund at least monthly, and some court fees are paid to the state and the city prior to receiving payment from the defendants. In addition, some fees appear to be inappropriately paid.

- A. Fines and court costs due to the General Fund are not paid to the city treasury at least monthly as required by state law. Instead, monies are held in the municipal division's bank account until requested by the city. During the two years ended March 31, 2007, only eight payments were made to the city. These payments totaled approximately \$4,000 for the year ended March 31, 2007, and approximately \$20,000 for the year ended March 31, 2006. As of July 2007, no monies had been transferred to the city's General Fund since July 2006. At June 30, 2007, the reconciled balance of the municipal division's bank account was approximately \$16,500.

In addition, interest earned on the municipal division's bank account has not been remitted to the city treasury. According to the City Clerk/City Collector's records, the municipal division's bank account has earned interest totaling approximately \$1,500 from January 1999 through June 2007. There was no evidence to indicate that any of this money has ever been turned over to the city.

Section 479.080, RSMo, requires the municipal division to deposit fines and court costs into the city treasury at least monthly. Failure to disburse monies to the city on a monthly basis reduces the city council's ability to adequately monitor revenues and the city's overall financial condition.

- B. Some court fees are disbursed prior to collection. In addition to court costs, which are due to the city's General Fund, fees are assessed for Peace Officers Standards and Training Commission (POSTC), Law Enforcement Training (LET), and Crime Victims' Compensation (CVC). The following concerns were noted regarding the distribution of these fees:

- 1) In some cases, POSTC, LET, and the state's portion of CVC fees are disbursed prior to collection by the municipal division. Defendants are allowed, with the approval of the Municipal Judge, to pay fines and court costs on an installment basis. Following court, the Court Clerk will determine the total number of cases for which fees will be assessed by reviewing the disposition of the cases noted on the court docket. The total

number of cases is then multiplied by the POSTC, LET, and CVC fees to determine the monthly disbursement amount for each of these respective fees. The Court Clerk includes the cases which will be paid on an installment basis when calculating monthly disbursement amounts even though some of the fees have not yet been collected at the time the fees are distributed to the city and the state.

2) Instances were noted of fees disbursed for POSTC, LET, and the state's portion of CVC, even though no monies will be received from the defendant. For example:

- In February 2006, a defendant was sentenced to community service. According to the case docket sheet, this service was performed in lieu of fines and court costs.
- According to the February 2007 court docket, a defendant was found not guilty on two charges. No fees were collected for this case.

Although no fees were collected for these cases, POSTC, LET, and CVC fees were disbursed to the applicable entities by the court.

By disbursing POSTC, LET and CVC fees prior to collection, the municipal division is using funds that should have been paid to the city treasury's General Fund. In some instances, the municipal division will not collect these fees which results in lost revenue to the city.

WE RECOMMEND the city of Wellsville Municipal Division review the reconciled balance of the municipal division bank account, identify all open items, such as bonds, and remit the remaining balance to the city treasury. Procedures should be established to ensure all fines, court costs, and interest received are disbursed to the city on a monthly basis. In addition, court costs should not be disbursed until collected.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, and City Clerk/City Collector indicated these recommendations will be implemented. The Court Clerk is considering ways to set up a monthly form which will improve the disbursement process.

3.**Banking and Account Reconciliation Procedures**

Monthly bank reconciliations were not prepared timely. Also, procedures have not been established to resolve old outstanding checks, and the signature card of the municipal division's bank account needs updating.

A. Monthly bank reconciliations were not prepared timely. Bank reconciliations for April 2006 through June 2007 were completed by the City Clerk/City Collector in July 2007 for the municipal division's bank account. In addition, the City Clerk/City Collector does not periodically reconcile deposits to receipt slips. Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, cash balances reconcile to open items (liabilities), and to detect and correct errors timely. A periodic reconciliation of deposits to receipt slips is necessary to ensure all monies are properly accounted for and deposited.

B. Procedures have not been established to resolve old outstanding checks. According to the June 2007 bank reconciliation prepared by the City Clerk/City Collector, 6 checks totaling \$125 have been outstanding for more than one year. Some of these checks have been outstanding for 4 to 7 years. In addition, 3 of these checks totaling \$110 were payable to the state. These old outstanding checks create additional and unnecessary record keeping responsibilities.

Procedures should be established to routinely investigate checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be disbursed in accordance with state law.

C. The bank signature card for the municipal division's account has not been updated. The current signature card for the municipal division's bank account includes the Court Clerk and the former City Clerk whose employment with the city ended in July 2006. By leaving the former City Clerk's name on the signature card, she is authorized to conduct transactions on the account. To protect court assets, individuals no longer responsible for court business should be removed from the signature card.

WE RECOMMEND the city of Wellsville Municipal Division:

A. Along with the City Clerk/City Collector, ensure the municipal division's bank account is reconciled monthly. The City Clerk/City Collector should periodically reconcile deposits with receipt slips.

B. Establish procedures to investigate checks outstanding for a considerable time. If the payees cannot be located, the monies should be distributed in accordance with state law.

- C. Ensure individuals no longer involved with court business are immediately removed from the signature card.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, and City Clerk/City Collector indicated:

- A. *The City Clerk/Collector has started preparing monthly bank reconciliations. She will begin periodically reconciling deposits with receipt slips.*
- B. *This recommendation will be implemented.*
- C. *The Court Clerk and City Clerk/Collector will implement this recommendation. The City Clerk/City Collector indicated she believes the city council will have to authorize the change and will discuss it with them.*

4. Reporting

Monthly reports of all cases heard in court are not filed with the city. The Court Clerk does prepare a monthly report which reflects the amount collected for each type of violation. However, the report does not reflect all information required by state law and is not filed with the city. Section 479.080.3, RSMo, requires the Court Clerk to prepare a monthly listing of all cases heard in court or prepaid at the violations bureau (VB), including all fines and court costs collected, to be verified by the clerk or Municipal Judge and filed with the city's governing body.

WE RECOMMEND the city of Wellsville Municipal Division prepare monthly reports of court actions, including fines and costs collected, and file these with the city's governing body in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, and City Clerk/City Collector indicated this recommendation will be implemented.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWELFTH JUDICIAL CIRCUIT
CITY OF WELLSVILLE, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Wellsville Municipal Division is within the Twelfth Judicial Circuit, which consists of Audrain, Montgomery, and Warren counties. The Honorable Keith Sutherland serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

Municipal Judge	Robert Fenlon*
Court Clerk	Lilliann Kolling
City Clerk/City Collector	Carolyn See**

* Vincent Garufi served as Municipal Judge prior to January 2006.

** Bonnie Stewart served as City Clerk and Carolyn See served as City Collector prior to August 2006. Effective August 2006 Carolyn See serves as City Clerk and City Collector.

Financial and Caseload Information

	Year Ended March 31,	
	2007	2006
Receipts	\$ 13,740	19,380
Number of cases filed	119	157